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April 4, 2011

Mr. Jeff DeRouen
Executive Director
Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

APR 05 2011

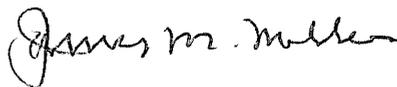
PUBLIC SERVICE
COMMISSION

Re: In the Matter of: An Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from July 17, 2009, through October 31, 2010, Case No. 2010-00495

Dear Mr. DeRouen:

Enclosed for filing on behalf of Big Rivers Electric Corporation are an original and ten copies of its responses to the data requests from the March 22, 2011, hearing in the above referenced matter. Also enclosed are an original and ten copies of an updated response to Item 26 of the Commission Staff's first data request. Please note that the only change between the original response and the updated response to Item 26 is the amount listed for "Total Tonnage." Since no other parties have intervened in this matter, the data request responses are not being served on any other party.

Sincerely yours,



James M. Miller

JMM/ej
Enclosures

Telephone (270) 926-4000
Telecopier (270) 683-6694

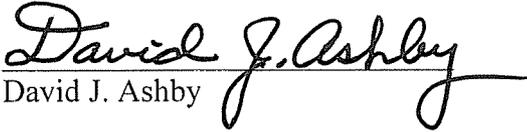
100 St. Ann Building
PO Box 727
Owensboro, Kentucky
42302-0727

BIG RIVERS ELECTRIC CORPORATION

**AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE
OF BIG RIVERS ELECTRIC CORPORATION
FROM JULY 17, 2009 THROUGH OCTOBER 31, 2010
CASE NO. 2010-00495**

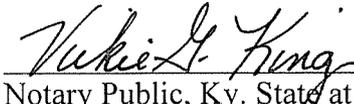
VERIFICATION

I, David J. Ashby, verify, state, and affirm that I prepared, or supervised the preparation of, the data request responses for which I am a witness and filed with this verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


David J. Ashby

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by David J. Ashby on this the 4th day of April, 2011.

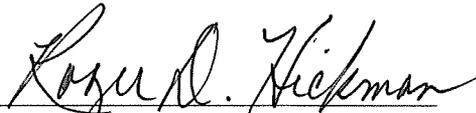

Notary Public, Ky. State at Large
My Commission Expires 03-03-2014

BIG RIVERS ELECTRIC CORPORATION

**AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE
OF BIG RIVERS ELECTRIC CORPORATION
FROM JULY 17, 2009 THROUGH OCTOBER 31, 2010
CASE NO. 2010-00495**

VERIFICATION

I, Roger D. Hickman, verify, state, and affirm that I prepared, or supervised the preparation of, the data request responses for which I am a witness, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Roger D. Hickman

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Roger D. Hickman on this the 4th day of April, 2011.



Notary Public, Ky. State at Large
My Commission Expires 03-03-2014

BIG RIVERS ELECTRIC CORPORATION

**AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE
OF BIG RIVERS ELECTRIC CORPORATION
FROM JULY 17, 2009 THROUGH OCTOBER 31, 2010
CASE NO. 2010-00495**

VERIFICATION

I, Mark A. Hite, verify, state, and affirm that I prepared, or supervised the preparation of, the data request responses for which I am a witness, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Mark A. Hite

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Mark A. Hite on this the 4th day of April, 2011.



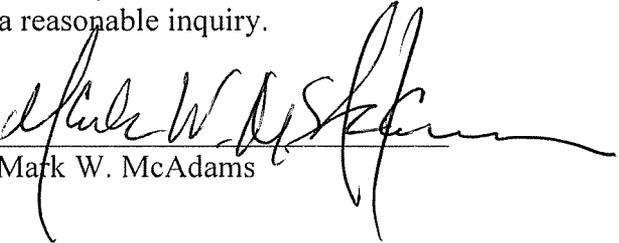
Notary Public, Ky. State at Large
My Commission Expires 03-03-2014

BIG RIVERS ELECTRIC CORPORATION

**AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE
OF BIG RIVERS ELECTRIC CORPORATION
FROM JULY 17, 2009 THROUGH OCTOBER 31, 2010
CASE NO. 2010-00495**

VERIFICATION

I, Mark W. McAdams, verify, state, and affirm that I prepared, or supervised the preparation of, the data request responses for which I am a witness and the testimony filed with this verification, and that those responses and that testimony are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Mark W. McAdams

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Mark W. McAdams on this the 4th day of April, 2011.


Notary Public, Ky. State at Large
My Commission Expires 03-03-2014

BIG RIVERS ELECTRIC CORPORATION

**AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT
CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM JULY 17, 2009 THROUGH OCTOBER 31, 2010
CASE NO. 2010-00495**

**Response to the Commission Staff's Data Requests
from the Hearing of March 22, 2011**

April 5, 2011

1 **Item 1)** *Please provide any revisions to Big Rivers' fuel procurement policy.*
2

3 **Response)** As noted at the hearing on March 22, 2011, as a result of the potential
4 authority matrix deviation documented in Big Rivers' response to Item 30 of the
5 Commission Staff's Initial Request for Information, Big Rivers developed a checklist,
6 which was approved by Big Rivers' Internal Risk Management Committee, to help
7 prevent that deviation in the future. Management advised the Board of Directors that this
8 checklist is now an addendum to each and every fuel procurement award
9 recommendation. A copy of that checklist is attached. There has been no change to the
10 Board-approved Fuel Procurement Policies and Procedures which are on file with the
11 Commission.
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14 **Witness)** Mark W. McAdams
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Energy Services Contract Award Check Sheet - Solid Fuel

Contract Number: _____

Commodity / Service: Coal Pet-Coke

Counter-party / Supplier: _____

Solicitation:

Written Yes No

Oral Yes No

Reason for oral solicitation _____

Solicitation number/Date _____

Term: ≤ 3 months > 3 Months/≤ 3 years Within Policy

Length of term: _____ _____ Length

Tonnage: _____ _____ Tonnage

Authority Limits: _____ _____

\$/MMBTU value: _____ _____ \$/MMBTU

Authority Limits: _____ _____

Total Value of Award: _____ _____

Transacting Party: SRVP/CFO C.E.O Board Transaction Authorization

Other Hedge conditions (if not within policy): _____ Hedge

Delivery Mode: Truck Barge

Contract Review:

Legal _____

Management _____

Reviewed by:

Mine Review:

Internal _____

External _____

M. McAdams _____

B. Blackburn _____

Financial Evaluation/Review:

Internal _____

External _____

A. Yockey _____

M. Bailey _____

Generation Evaluation/Approval:

VP Generation _____

Station Managers _____

Contract document sent:
Sent via: US Mail Express Mail Electronic Facsimile

Contract document returned: _____

Documents to records retention: _____

Document PDF to on-line files: _____

BIG RIVERS ELECTRIC CORPORATION

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**Response to the Commission Staff's Data Requests
from the Hearing of March 22, 2011**

April 5, 2011

1 **Item 2)** *Please explain why Big Rivers is not seeking a change in its Rate*
2 *Schedule 9 (the Big Rivers Cogeneration and Small Power Production Sales Tariff --*
3 *Over 100 kw) pursuant to 807 KAR 5:056.*

4
5 **Response)** In replying to Items 16 and 17 of the Commission Staff's Data Request
6 dated January 26, 2011, Big Rivers inadvertently overlooked possible changes to the
7 tariff sheets for its Rate Schedule 9 – BIG RIVERS COGENERATION AND SMALL
8 POWER PRODUCTION SALES TARIFF – OVER 100 KW. Rate Schedule 9f(3)(1) –
9 Maintenance Energy charges for On-Peak Maintenance Service will increase. That
10 increase is reflected in the updated table below. This table was originally filed in Big
11 River's response to Item 16. Furthermore, attached to this response is a copy of the
12 current Rate Schedule 9f(3)(1) annotated to reflect the change mentioned in the table
13 below. This annotated schedule was also inadvertently left out of Big River's response to
14 Item 17. Big Rivers currently has no sales under this tariff.

15
16

Energy Charge	Present Rate	Proposed Rate	Increase
Rate Schedule C.4.d(2)	\$0.020400 / kWh	\$0.030612 / kWh	\$0.010212 / kWh
Rate Schedule C.7.c(2)(b)	\$0.013715 / kWh	\$0.023927 / kWh	\$0.010212 / kWh
Rate Schedule 9f(3)(1) (Maintenance Energy Only)	\$0.020400 / kWh	\$0.030612 / kWh	\$0.010212 / kWh
Rate Schedule 17(1)	\$0.010720 / kWh	\$0.020932 / kWh	\$0.010212 / kWh

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24 **Witness)** Roger D. Hickman

For All Territory Served By
Cooperative's Transmission System
P.S.C.KY NO. 23

Original SHEET NO. 46

Big Rivers Electric Corporation
(Name of Utility)

CANCELLING P.S.C.KY NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

- (ii) Winter on-peak usage is defined as power requirements occurring between the hours beginning 6:00 am and ending 10:00 pm on any weekday from December 1 through March 31.
- (iii) Off-peak usage is defined as all power requirements not included in paragraph (i) or (ii).

The charges for On-peak Maintenance Service shall be the greater of:

- (1) \$1.835 PER kW OF Scheduled Maintenance Demand per week, plus
\$0.030612 per kWh of Maintenance Energy; or
- (2) 110% of the price at the time of scheduling of a block of energy obtainable by Big Rivers in the futures market which is sufficient to meet the Member Cooperative's scheduled Maintenance Service requirements.
- (3) The charges for Off-peak Maintenance Service shall be:
\$1.835 per kW of Scheduled Maintenance Demand per week, plus

Deleted: 0204

According to schedule C.4.d.(2) per kWh of maintenance energy shall be the amount of energy purchased by the Member Cooperative for the QF Member in each hour during

DATE OF ISSUE October 9, 2008 DATE EFFECTIVE July 17, 2009
 ISSUED BY Big Rivers Electric Corporation, 201 3rd St., Henderson, KY 42420
 (Signature of Officer)
 Issued By Authority of PSC Case No. 2007-00455, Order dated March 6, 2009

BIG RIVERS ELECTRIC CORPORATION

**AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT
CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM JULY 17, 2009 THROUGH OCTOBER 31, 2010
CASE NO. 2010-00495**

**Response to the Commission Staff's Data Requests
from the Hearing of March 22, 2011**

April 5, 2011

1 **Item 3)** *As part of the Big Rivers Unwind Transaction, the Commission*
2 *approved a \$157 million Economic Reserve Account and a \$60.9 million Rural*
3 *Economic Reserve Account. Please explain how the Economic Reserve Account and*
4 *the Rural Economic Reserve Account impact charges under Big Rivers' Fuel*
5 *Adjustment Clause.*

6
7 **Response)** The Economic Reserve Account

8 As part of the "Unwind Transaction" that the Public Service Commission
9 ("Commission") approved in Case No. 2007-00455,¹ Big Rivers established the Member
10 Rate Stability Mechanism rider ("MRSM") to partially mitigate the billing impact of the
11 Fuel Adjustment Clause ("FAC") and the Environmental Surcharge to Big Rivers'
12 members' for sales under Big Rivers' Rural and the Large Industrial rate schedules
13 (currently, Rate Schedules C.4.d and C.7), which the members use to serve all of their
14 customers except for the two large aluminum smelters (the "Smelters") served by
15 Kenergy Corp. under special contracts. (Sales from Big Rivers to its members for resale
16 to these non-Smelter customers are referred to as "Non-Smelter Sales".)

17 The MRSM draws on the Economic Reserve Account that Big Rivers established
18 at the closing of the Unwind Transaction using \$157.0 million of the funds it received at
19 the closing. Interest earned on funds in the account is added to the account. The MRSM
20 uses an increasing Expense Mitigation Factor ("EMF") to "feather" in the effect of the
21 FAC and the Environment Surcharge on the members' bills for Non-Smelter Sales until
22 the Economic Reserve Account is depleted. The current MRSM specifies increasing
23

24 _____
25 ¹ See Order dated March 6, 2009, in *In the Matter of: The Applications of Big Rivers Electric Corporation*
26 *for: (I) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporation, (II) Approval of*
27 *Transactions, (III) Approval to Issue Evidences of Indebtedness, and (IV) Approval of Amendments to*
Contracts; and of E.ON U.S., LLC, Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. for
Approval of Transactions, PSC Case No. 2007-00455.

BIG RIVERS ELECTRIC CORPORATION

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**Response to the Commission Staff's Data Requests
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April 5, 2011

1 EMFs for the first 48 months following the effective date of the tariff (the closing of the
2 Unwind Transaction), as set forth below:

- 3 1. \$0.000 per kWh for the first twelve (12) months following the effective
4 date of this tariff;
- 5 2. \$0.002 per kWh for months 13 through 24 following the effective date of
6 this tariff;
- 7 3. \$0.004 per kWh for months 25 through 36 following the effective date of
8 this tariff; and
- 9 4. \$0.006 per kWh for months 37 through 48 following the effective date of
10 this tariff;

11 Each month, the MRSM applies funds from the Economic Reserve Account to
12 fully or partially offset any FAC and Environmental Surcharge charges remaining after
13 application of two other credits that were also approved as part of the Unwind
14 Transaction (the Unwind Surcredit and the Rebate Adjustment) in excess of the EMF
15 under the above schedule.

16 The Unwind Surcredit is a monthly bill credit available to the members for Non-
17 Smelter Sales. It is funded by certain surcharges (the Smelter Surcharges) that the
18 Smelters agreed to pay under their contracts to help offset increases in fuel costs for the
19 non-Smelter customers. The Rebate Adjustment is an optional credit available to the
20 members where Big Rivers' earnings in excess of a 1.24 TIER (as defined in the Smelter
21 contracts) are flowed back to the members and the Smelters, but only if Big Rivers
22 determines it is appropriate to do so in a particular year and Commission approval is
23 obtained.

24 It is important to note that the MRSM tariff states that if any portion of the FAC
25 or Environmental Surcharge is transferred to base rates, or vice versa, then the MRSM
26

BIG RIVERS ELECTRIC CORPORATION

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April 5, 2011

1 will account for the effect of the transfer such that the Non-Smelter customers will not
2 see any impact on their bills from these transfers.

3 At the time the Unwind Transaction was approved, Big Rivers estimated that the
4 MRSM would offset charges under the FAC and Environmental Surcharge (after
5 application of the Unwind Surcredit and Rebate Adjustment) for one year after the
6 closing of the Unwind Transaction. Big Rivers now projects that the Economic Reserve
7 Account will last beyond the 48 months mentioned in the MRSM tariff and, thus, the
8 MRSM needs to be modified to specify what the EMF will be after the 48th month. Big
9 Rivers' rate application in its pending rate case (Case No. 2001-00036) proposes adding
10 two additional EMFs that will extend beyond the 48th month. Specifically, Big Rivers is
11 proposing to add:

- 12 1. a fifth EMF equal to \$0.007 per kWh to be applicable for months 49
13 through 60 following the effective date of the tariff, and
- 14 2. a sixth EMF equal to \$0.009 per kWh to be applicable thereafter.

15
16 The Rural Economic Reserve Account

17 The Commission's Order approving the Unwind Transaction required Big Rivers
18 to establish a Rural Economic Reserve Account in the amount of approximately \$60.9
19 million to be used exclusively to credit the bills rendered to the members for sales to their
20 Rural customers (*i.e.*, sales from Big Rivers to the members under Big Rivers' Rate
21 Schedule C.4.d) over a period of 24 months commencing only after the depletion of the
22 Economic Reserve Account. Big Rivers adopted a tariff rider, the Rural Economic
23 Reserve rider ("RER"), to flow funds from the Rural Economic Reserve Account to the
24 members for their Rural customers. The RER is not tied to the FAC or the
25 Environmental Surcharge like the MRSM is. Also, as the Economic Reserve Account
26

BIG RIVERS ELECTRIC CORPORATION

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April 5, 2011

1 has not been depleted, no funds from the Rural Economic Reserve Account have been
2 used.

3 In its pending rate case, Big Rivers is proposing to modify the RER so that it
4 operates seamlessly with the MRSM and better mitigates customer rate volatility for the
5 members' Rural customers when transitioning from the MRSM to the RER upon
6 depletion of the Economic Reserve Account. Specifically, Big Rivers is proposing that
7 the RER operate in the same manner as the MRSM (except that it will only be available
8 for the Rural customers), thereby partially offsetting the impact of the FAC and
9 Environmental Surcharge, after taking into account the credits from the Unwind Surcredit
10 and the Rebate Adjustment. Thus, once the Economic Reserve Account is depleted, the
11 relevant elements of the MRSM, including the EMFs, will be adopted by the RER so that
12 there will not be a discontinuity in the amounts credited to the Rurals. Therefore, the
13 EMF schedule set forth in the proposed MRSM will continue to be used to determine the
14 amounts credited under the RER. For example, if the Economic Reserve Account is
15 depleted in the 52nd month following the closing of the Unwind Transaction, then the
16 RER will make up any shortfall and will also be credited (for the first time) in the 52nd
17 month using an EMF of \$0.007 per kWh. In this example, the EMF of \$0.007 per kWh
18 would then continue for another eight months (*i.e.*, for the 53rd through the 60th month
19 following the closing of the Unwind Transaction). In the 61st month, the EMF would
20 then transition to \$0.009 per kWh and remain at that level until the Rural Economic
21 Reserve Account is depleted.

22 Based on the above, Big Rivers' recent projections show the Economic Reserve
23 Account to be fully depleted by mid-2015, and the Rural Economic Reserve Account to
24 be fully depleted by mid-2018.

BIG RIVERS ELECTRIC CORPORATION

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**Response to the Commission Staff's Data Requests
from the Hearing of March 22, 2011**

April 5, 2011

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Witness) Mark. A Hite

BIG RIVERS ELECTRIC CORPORATION

**AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT
CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM JULY 17, 2009 THROUGH OCTOBER 31, 2010
CASE NO. 2010-00495**

Updated Response to the Commission Staff's Data Request dated January 26, 2011

April 5, 2011

1 **Item 26)** *For the period from May 1, 2010 through October 31, 2010, list each*
2 *vendor from whom coal was purchased and the quantity and the nature of each*
3 *purchase (e.g., spot or contract). Provide the percentage of purchases that were spot*
4 *versus contract.*

5
6 **Response)** Please see the updated schedule below. The Total Tonnage on the
7 original schedule was incorrectly reported as 2,659,302.51. This updated schedule shows
8 the correct Total Tonnage.

9

<u>Purchase Vendor</u>	<u>Fuel Type</u>	<u>Purchase Tonnage</u>	<u>Contract Type</u>
Alliance Coal	Coal	365,149.71	Contract
Alliance Coal	Coal	34,997.71	Spot
Allied Resources	Coal	296,812.05	Contract
Allied Resources	Coal	56,920.19	Spot
Armstrong Coal	Coal	70,259.08	Spot
ExxonMobil Oil Corp	Pet Coke	113,949.91	Spot
Foresight Coal Sales, LLC	Coal	190,554.00	Contract
KenAmerican	Coal	24,362.70	Spot
Marathon Ashland Petroleum	Pet Coke	205,671.39	Contract
Oxford Mining	Coal	368,535.50	Contract
Oxford Mining	Coal	107,902.89	Spot
Patriot Coal Sales	Coal	474,806.80	Contract
PBP Energy	Coal	26,474.54	Contract
Peabody CoalSales	Coal	212,877.72	Contract
Total Tonnage		2,549,274.19	
Percentage Spot Purchase Tons		16.02%	
Percentage Contract Purchase Tons		83.98%	
Percentage Total Purchase Tons		100.00%	

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25 **Witness)** David J. Ashby